




JOHN NAIMO
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

June 24, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **ETTIE LEE YOUTH AND FAMILY SERVICES – A DEPARTMENT OF
MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY
SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Ettie Lee Youth and Family Services (Ettie Lee or Agency), which included a sample of billings from Fiscal Years (FY) 2012-13 and 2013-14. The Department of Mental Health (DMH) contracts with Ettie Lee to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with the Agency to provide Foster Family Agency and Intensive Treatment Foster Care Foster Family Agency services.

The purpose of our review was to determine whether Ettie Lee provided the services outlined in their County contracts, billed DMH for Program services provided, and appropriately spent DMH and DCFS Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During FYs 2012-13 and 2013-14, DMH paid Ettie Lee approximately \$2.4 million and \$2 million on a cost-reimbursement basis, and DCFS paid the Agency approximately \$1.3 million and \$1.6 million on a fee-for-service basis, respectively. The Agency provides services in the First and Fifth Supervisorial Districts.

Results of Review

DMH Program Review

Ettie Lee's treatment staff had the required qualifications to provide DMH Program services. However, Ettie Lee did not complete the Client Care Plans for three clients who received Targeted Case Management services, resulting in an overbilling of \$7,508.

Ettie Lee's attached response indicates that they attended DMH training, where they learned that Targeted Case Management services require Client Care Plans. Ettie Lee also indicated that they will ask DMH to forgive the \$7,508 overbilling.

DMH and DCFS Fiscal Review

Ettie Lee generally maintained adequate documentation to support the DMH and DCFS expenditures reviewed. However, the Agency did not maintain adequate segregation of duties over payroll and personnel functions.

Ettie Lee's attached response indicates that they revised their payroll and personnel functions to ensure that adequate segregation is maintained.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Ettie Lee, DMH, and DCFS. Ettie Lee's attached response (Attachment II) indicates that they agree with our findings and recommendations. DMH and DCFS management will work with Ettie Lee to ensure our recommendations are implemented and overbillings are paid.

We thank Ettie Lee management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:sk

Attachments

- c: Sachi A. Hamai, Interim Chief Executive Officer
- Philip L. Browning, Director, Department of Children and Family Services
- Dr. Marvin J. Southard, D.S.W., Director, Department of Mental Health
- Ronald J. Bateman, Chairman, Ettie Lee Youth and Family Services
- Terri Varnum, President and Chief Executive Officer, Ettie Lee Youth and Family Services
- Public Information Office
- Audit Committee

**ETTIE LEE YOUTH AND FAMILY SERVICES
DEPARTMENTS OF MENTAL HEALTH AND
CHILDREN AND FAMILY SERVICES PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2012-13 AND 2013-14**

DMH BILLED SERVICES

Objective

Determine whether Ettie Lee Youth and Family Services (Ettie Lee or Agency) maintained documentation in their case files to support the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract and related guidelines.

Verification

We selected 42 (3%) of the 1,517 approved Medi-Cal billings from December 2013 and January 2014, which were the most current billings available at the time of our review (September 2014). We reviewed the Assessments, Client Care Plans, Progress Notes, and Informed Consent forms in the clients' case files for the selected billings. The 42 billings represent services provided to 16 clients.

Results

Ettie Lee overbilled DMH \$7,508 for 20 (48%) of the 42 billings reviewed. Specifically, Ettie Lee did not complete the Client Care Plans for three (19%) of the 16 clients, as required by the DMH Provider's Manual, Chapter 1, Page 20. According to the DMH Provider's Manual, a Client Care Plan is required to cover all services billed for Targeted Case Management services. The questioned amount is for December 2013 and January 2014. DMH will need to determine the total amount of unsupported billings for the three clients.

Recommendations

Ettie Lee Youth and Family Services management:

- 1. Repay the Department of Mental Health \$7,508.**
- 2. Work with the Department of Mental Health to determine the total disallowed billing amount, and repay the Department of Mental Health the amount identified.**
- 3. Ensure that Client Care Plans are completed for all services provided.**

STAFFING QUALIFICATIONS**Objective**

Determine whether Ettie Lee's treatment staff had the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for ten (15%) of the 70 Ettie Lee treatment staff who provided services to DMH clients during December 2013 and January 2014.

Results

Each employee reviewed had the qualifications required to provide the billed services.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether Ettie Lee properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Ettie Lee personnel, and reviewed their financial records and June 2014 bank reconciliations for two bank accounts.

Results

Ettie Lee properly recorded revenue in their financial records, deposited their DMH and Department of Children and Family Services (DCFS) cash receipts timely, and bank reconciliations were reviewed and approved by Agency management timely.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether Ettie Lee's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to the DMH and DCFS Programs were allowable, properly documented, and accurately billed.

Verification

We reviewed the Agency's Plan and their financial records for 47 (12 DMH, 11 DCFS, and 24 shared) non-payroll expenditures, totaling \$101,594 (\$38,511 DMH, \$15,090 DCFS, and \$47,993 shared), charged to the DMH and DCFS Programs from September 2012 through June 2014. We also interviewed Agency personnel.

Results

Ettie Lee prepared their Plan in compliance with their County contracts, and generally maintained documentation to support expenditures reviewed. However, Ettie Lee over-allocated \$444 to the DMH Program for a shared employee's benefits in June 2014. Ettie Lee needs to determine the total amount over-allocated for Fiscal Year (FY) 2013-14.

Recommendations**Ettie Lee Youth and Family Services management:**

4. **Determine the total over-allocated for employee benefits related to shared employees, reduce the Fiscal Year 2013-14 Department of Mental Health Cost Report by the overcharged amount, and repay the Department of Mental Health any excess amount received.**
5. **Ensure that shared program expenditures are allocated to all benefitted programs.**

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether Ettie Lee's fixed assets and equipment purchased with DMH and DCFS funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Ettie Lee personnel, and reviewed their fixed assets and equipment

inventory list. We also performed a physical inventory of seven items purchased with DMH and DCFS funds to verify the items exist and were being used for the Programs.

Results

Ettie Lee adequately safeguarded the items reviewed. However, their equipment listing did not include a unique identifier number such as a serial number or asset tag number as required by the Auditor-Controller Accounting and Administration Handbook. Therefore, we could not have assurance that the items we observed were the items purchased with DMH and DCFS funds.

Recommendation

- 6. Ettie Lee Youth and Family Services management maintain a complete fixed asset and equipment listing that includes serial numbers or asset tag numbers.**

PAYROLL AND PERSONNEL

Objective

Determine whether Ettie Lee appropriately charged payroll costs to the DMH and DCFS Programs, and maintained personnel files as required.

Verification

We compared the payroll costs for 18 (eight direct and ten shared) employees, totaling \$55,242 (\$28,685 direct and \$26,557 shared) for June 2014, to the Agency's payroll records and time reports. We also interviewed staff and reviewed their personnel files.

Results

Ettie Lee appropriately charged payroll costs to the DMH and DCFS Programs, and maintained the personnel files as required. However, the Agency did not maintain adequate segregation of duties over payroll and personnel functions. Specifically, the Director of Administration has full access to their accounting records, personnel files, payroll system, and was also one of the check signers. In addition, two payroll staff have access to their personnel records, can add and remove staff, and change pay rates to their payroll system.

Recommendation

- 7. Ettie Lee Youth and Family Services management maintain adequate segregation of duties over payroll and personnel functions.**

COST REPORTS**Objective**

Determine whether Ettie Lee's FY 2012-13 DMH and DCFS Foster Family Agency (FFA) and Intensive Treatment Foster Care FFA (ITFC-FFA) Cost Reports reconciled to their financial records. Ettie Lee's FY 2013-14 Cost Reports were not available at the time of our review (September 2014).

Verification

We compared the Agency's FY 2012-13 DMH, FFA, and ITFC-FFA Cost Reports to their financial records.

Results

Ettie Lee's FY 2012-13 DMH, FFA, and ITFC-FFA Cost Reports reconciled to their financial records.

Recommendation

None.



Saving lives. Changing lives. Building hope for children and families.

May 29, 2015

John Naimo, Auditor-Controller,

500 West Temple Street, Room 525

Los Angeles, CA 90012-3873

Dear Mr. Naimo,

BOARD OF DIRECTORS

Ronald J. Balenman
Chairman

Jill Johnson
Vice Chairman

John Barlow
Secretary

James Jay Smith
Treasurer

Walter Allen III

Marlin Cardon

Carlo DeAtouguia

Kent Warner

Linda Zufall

Toni Varnum, M.A.
President & CEO

HONORARY BOARD

Leroy D. Baca, *Sheriff, Retired*
County of Los Angeles

Pat B. ...
... ..

Pat Cook
Community Volunteer

SUPPORTING AGENCIES

Local
Association of
Community Human
Services Agencies

State
California Alliance of Child
& Family Services

ACCREDITED BY



Amazon will donate 0.5% of the price
of your eligible Amazon orders
purchased in Ettie Lee Youth &
Family Services whenever you shop
on Amazon!

Ettie Lee Youth and Family Services would like to thank your team for the time and effort that they took in reviewing our DMH and DCFS records.

Ettie Lee Youth and Family Services is committed to providing quality care while maintaining compliance with all contracts. We welcome the opportunity to meet with the experts and make adjustments when necessary to insure compliance.

As noted on the corrective action plan we prepared, you will find that we were in compliance with most items and no corrective action was required.

The first finding/result indicates unsupported billing and we are asserting that we received DMH ICC training that instructed us and later learned that our understanding was incorrect. Please refer to the Corrective Action Plan for more detailed information.

The item on the Corrective action plan referred to as Page 3 Cost allocation plan and expenditures was a single month error for benefit costs and we acknowledge the error and will correct.

No other items required fiscal corrective action; however, we have already begun the process of marking inexpensive electronic equipment and have re-aligned the Administrative Directors responsibility to provide for additional separation of duties.

Thank you,

Kathryn Stannard

Director of Administration.

Ettie Lee Homes, Inc. CORRECTIVE ACTION PLAN (CAP)
In Response to a Contract Compliance Review Report for DMH and DCFS
By the COUNTY OF LOS ANGELES – DEPARTMENT OF Auditor Controller

Fiscal Year	Agency Name and main address	Date listed on Cover Letter of Compliance Review Report	Date CAP Due to Auditor Controller
2013-2014	Ettie Lee Homes, Inc. DBA Ettie Lee Youth and Family Services 5146 N. Maine Ave. , PO Box 339 Baldwin Park, CA 91706	April XX, 2015 Site Visit: October 2014	June 1, 2015

I. Corrective Actions: Complete the following table to detail the actions your agency will take to correct the noncompliance in a timely manner. Strategies must be identified in those areas that are contributing to the noncompliance. This CAP must be submitted to Auditor Controller for approval by the due date. All noncompliance must be corrected immediately in accordance with your County Contract(s).

Contract Compliance Review Summary (Page Number and Area Reviewed)	Requirement/Objective	Finding/Results	Recommendations/Corrective Action
Page 1 DMH Billed Services	Contractor shall provide the services billed to DMH in accordance with their DMH contract and related guidelines: Client Treatment Plans are required by the DMH Providers Manual (Ch. 1 pg. 20) to cover all services billed for TCM services.	Contractor did not complete the required TCM treatment plans for 3 of 16 clients for which there were TCM billings. This resulted in Contractor overbilling DMH \$7,508. DMH will need to determine the total amount of unsupported billings for the months that were not reviewed.	These TCM billings were for ICC (Intensive Care Coordination) services—a relatively new DMH service category that is only used for Wraparound and Intensive Treatment Foster Care (ITFC) programs. Contractor completed only MH treatment plans for the 3 clients noted because we understood the live DMH ICC Training for new ITFC providers we attended to have instructed us that said plans would cover ICC services. Contractor later learned that our understanding was incorrect and we are now clear that all ICC services require a TCM treatment plan.

Contract Compliance Review Summary (Page Number and Area Reviewed)	Requirement/Objective	Finding/Results	Recommendations/Corrective Action
			<p>Bertrand Levesque at DMH has advised us that a number of other agencies have misunderstood billing guidelines for ICC services and he recommended that we attend an ICC training by a very knowledgeable presenter that has been scheduled by DMH to alleviate provider misunderstandings. Contractor is attending this training on June 9, 2015.</p> <p>However, since appropriate contractor staff did indeed provide appropriate client services that were related to the MH goals and the MH diagnosis of the 3 noted clients, and contributed to the amelioration of their MH symptoms, we will be asking of DMH that we be forgiven our technical error for the billing identified in the AC findings, and that we not be financially penalized. If DMH does decide to financially penalize Contractor for our technical error, we will determine the total billing amount of unsupported billings and include the change in the units of service on the cost report amendment to be prepared for the page 3 correction.</p>
Page 2 Staffing Qualifications	Contractors treatment staff must have the required qualifications to provide mental health services.	Each reviewed employee had the required qualifications to bill for services.	No corrective action needed.


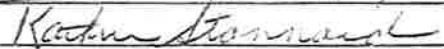
Contract Compliance Review Summary (Page Number and Area Reviewed)	Requirement/Objective	Finding/Results	Recommendations/Corrective Action
Page 2 Cash/Revenue	Contractor shall properly record revenue in their financial records, deposit cash receipts into their bank accounts timely, and review and approve account reconciliations timely.	Contractor properly record revenue in their financial records, deposited their DMH and DCFS cash receipts timely, and reviewed and approved their bank reconciliations timely.	No corrective action needed.
Page 3 Cost Allocation Plan and Expenditures	Contractors cost allocation plan shall comply with their county contracts and properly document and accurately bill expenditures to their DMH and DCFS programs.	Contractors plan was in compliance with their county contracts and shared costs appropriately. Expenditures were generally allowable, properly documented, and accurately billed. However, contractor allocated \$444 to the DMH Program for a shared employees benefits in June 2014 and must determine the total amount over-allocated for FY 2013-14.	The one employee whose costs were allocated to the DMH program temporarily transferred to another department. The costs will be reclassified to the correct department and an amended cost report will be filed.
Page 3-4 Fixed Assets and Equipment	Contractor shall adequately safeguard and use all fixed assets and equipment purchased with DMH and DCFS funds for the appropriate programs.	Contractor adequately reviewed the reviewed items. However, their equipment did not include a unique identifying number as required by the Auditor Controller Accounting and Administration Handbook, so it could not be determined if the items were purchased with DMH and DCFS funds.	Fixed assets are recorded with descriptions and unique identifying numbers when available, and are typically purchased with donated or endowment funds. Computers and electronic devices that do not typically meet the test to be considered fixed assets, are now being labeled and recorded by unique identifying numbers.

Contract Compliance Review Summary (Page Number and Area Reviewed)	Requirement/Objective	Finding/Results	Recommendations/Corrective Action
Page 4-5 Payroll and Personnel	Contractor shall appropriately charge payroll costs to DMH and DCFS programs and maintain required personnel files.	Contractor appropriately charged payroll costs to the DMH and DCFS programs and maintained required personnel files. However, contractor did not maintain adequate segregation of duties over payroll and personnel functions: the Director of Administration had full access to accounting records, personnel files, payroll system and is one of the check signers; two payroll staff have access to personnel records, the capability to add/remove staff, and the capability to change pay rates to the payroll system.	The Director of Administration duties have been realigned so that she no longer has full access. In addition, personnel and payroll change reports, that identify any and all changes made in the system, are run after each payroll processing and reviewed by the Director and the President & CEO to verify that no unauthorized changes have been made.
Page 5 Cost Reports	Contractors DMH and DCFS-FFA and ITFC-FFA cost reports shall reconcile to their financial records.	Contractors FY 2013-13 DMH, FFA and ITFC-FFA Cost Reports reconciled to their financial records.	No corrective action needed.

Signatures of individuals completing CAP

Print name and Title

Date

	Donald Parrington, LMFT Director, SUD and MH Department	May 12, 2015
	Kathy Stannard, Director of Administration	May 12, 2015

To be completed by Auditor-Controller staff only:

Signature of John Naimo Auditor-Controller	Approved or Not Approved	Date

Comments